

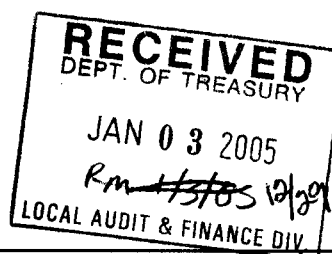
**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

FORSYTH TOWNSHIP, MARQUETTE COUNTY
Gwinn, Michigan

March 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name FORSYTH TOWNSHIP	County MARQUETTE
Audit Date 3/31/04	Opinion Date 12/16/04	Date Accountant Report Submitted to State: 12/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) KRONCICH & ASSOCIATES, P.C.			
Street Address 843 W. WASHINGTON STREET	City MARQUETTE	State MI	ZIP 49855
Accountant Signature <i>Kroncich & Associates, P.C. x-Station 77</i> <i>Kroncich</i>		Date 12/29/04	

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kroncich & ASSOCIATES P.C.

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITORS' REPORT

The Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

We have audited the accompanying general purpose financial statements of Forsyth Township, Marquette County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group or disclose all pension plan information, which are required to be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Forsyth Township, Marquette County, Michigan as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (continued)

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2004 on our consideration of Forsyth Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Kronisch & Associates, P.C.

Certified Public Accountants

Marquette, Michigan
December 16, 2004

March 31, 2004

\$22,401

-6-

Proprietary Fund Type	Fiduciary Fund Type		Account Group	Total (Memorandum Only)
Enterprise	Non-expendable Trust	Agency	General Long- Term Debt	
\$114,646	\$153,339	\$25,128 56,831		1,402,231 56,831
				122,534
38,569				57,237
				463,373
1,451				1,451
40,020		0		644,595 (393,049)
40,020		0		251,546
1,048	120			8,762
330				1,168
14,137				14,850
				116,212
147,315				147,315
3,063				3,063
5,973				5,973
14,160				14,160
437,122				437,122
591,135				591,135
2,163,844				2,163,844
148,004				148,004
688,813				688,813
7,656				7,656
4,050,734 (2,092,149)				4,050,734 (2,092,149)
1,958,585				1,958,585
			\$327,804	327,804
\$2,285,117 =====	\$153,459 =====	\$81,959 =====	\$327,804 =====	\$4,294,340 =====

FORSYTH TOWNSHIP
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (continued)

March 31, 2004

LIABILITIES	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Accounts payable	\$17,533	\$6,900	
Employee compensation and other related liabilities	1,042	(63)	
Accrued interest			
Deferred compensation			
Due to:			
Other taxing units			
Other funds - Note E	13,180	7,816	\$19,246
Current maturities of:			
Bonds payable - payable from restricted assets			
Capital lease obligation			
Deferred revenue -			
Notes C and G	5,518	5,986	2,829
Long-term debt payable -			
Notes I and J:			
Bonds payable:			
General obligation bonds			
Revenue bonds			
Notes and compensated absences payable			
Capital lease obligation			
TOTAL LIABILITIES	37,273	20,639	22,075
FUND EQUITY			
Contributed capital			
Retained Earnings:			
Reserved for bond ordinances - Note F			
Unreserved			
Fund balance:			
Reserved for - Note K:			
Cemetery perpetual care			
Long term receivable	66,917		
Other	5,000		
Unreserved:			
Undesignated	958,532	335,239	326
TOTAL FUND EQUITY	1,030,449	335,239	326
	\$1,067,722	\$355,878	\$22,401
	=====	=====	=====

See notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Type		Account Group	Total (Memorandum Only)
	Non-expendable Trust	Agency	General Long- Term Debt	
Enterprise				
\$853				25,286
29,579				30,558
3,069				3,069
		\$56,831		56,831
		23,733		23,733
66,917	\$2,895	1,395		111,449
25,000				25,000
55,000				55,000
				14,333
40,000				40,000
110,000				110,000
			\$327,804	327,804
130,000				130,000
460,418	2,895	81,959	327,804	953,063
1,197,485				1,197,485
147,315				147,315
479,899				479,899
	150,564			150,564
				66,917
				5,000
				1,294,097
1,824,699	150,564			3,341,277
\$2,285,117	\$153,459	\$81,959	\$327,804	\$4,294,340
=====	=====	=====	=====	=====

FORSYTH TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
TOTAL REVENUES

Year ended March 31, 2004

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Property taxes - Note C	\$681,764	\$186,492		\$868,256
Licenses and permits	5,516			5,516
Federal grants		9,358		9,358
State grants	555,994	13,269		569,263
Charges for services	186,089			186,089
Fines and forfeitures		14,814		14,814
Interest	16,263		\$361	16,624
Other revenue	206,285	50,796	536	257,617
TOTAL REVENUES	1,651,911	274,729	897	1,927,537
Expenditures:				
Current:				
Legislative	55,023			55,023
General government	437,114			437,114
Public safety	513,050			513,050
Public works	198,192			198,192
Recreation and cultural		259,110		259,110
Health and welfare	90,557			90,557
Other functions	239,954			239,954
Debt service	62,926			62,926
Capital outlay	222,141	15,534	250	237,925
TOTAL EXPENDITURES	1,818,957	274,644	250	2,093,851
EXCESS OF REVENUES (EXPENDITURES)	(167,046)	85	647	(166,314)
Other financing sources (uses):				
Operating transfers in - Note E	121,729	78,933		200,662
Operating transfers out - Note E	(78,933)	(99,008)	(19,246)	(197,187)
Loan proceeds				0
TOTAL OTHER FINANCING SOURCES (USES)	42,796	(20,075)	(19,246)	3,475
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(124,250)	(19,990)	(18,599)	(162,839)
Fund balance at beginning of year	1,154,691	355,228	18,925	1,528,844
FUND BALANCE AT END OF YEAR	\$1,030,441	\$335,238	\$326	\$1,366,005
	=====	=====	=====	=====

See notes to financial statements.

FORSYTH TOWNSHIP**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**

Property taxes - Note C

Year ended March 31, 2004

		General Fund		
		Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes - Note C		\$682,104	\$681,764	(\$340)
Licenses and permits		5,000	5,516	516
Federal grants				0
State grants		517,145	555,994	38,849
Charges for services		105,040	186,089	81,049
Fines and forfeitures		0	0	0
Interest		10,000	16,263	6,263
Other		58,953	206,285	147,332
TOTAL REVENUES		1,378,242	1,651,911	273,669
Expenditures:				
Legislative		54,755	55,023	(268)
Elections		6,252	1,832	4,420
General government		438,426	435,282	3,144
Law enforcement		442,280	451,763	(9,483)
Fire protection		59,380	61,287	(1,907)
Public works		193,841	194,159	(318)
Sanitation		18,442	4,033	14,409
Recreation and cultural				
Health and welfare		88,425	90,557	(2,132)
Other functions		212,007	239,954	(27,947)
Debt service		62,524	62,926	(402)
Capital outlay		216,900	222,141	(5,241)
TOTAL EXPENDITURES		1,793,232	1,818,957	(25,725)
EXCESS OF REVENUES (EXPENDITURES)		(414,990)	(167,046)	247,944
Other financing sources (uses):				
Operating transfers in		69,739	121,729	51,990
Operating transfers out		(78,945)	(78,933)	12
Loan proceeds				0
TOTAL OTHER FINANCING SOURCES (USES)		(9,206)	42,796	52,002
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)		(424,196)	(124,250)	299,946
Fund balance at beginning of year		1,154,691	1,154,691	0
FUND BALANCE AT END OF YEAR		\$730,495	\$1,030,441	\$299,946

See notes to financial statements.

Special Revenue Funds			Charges for services		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
	\$186,492				
	9,358				
	13,269				
	14,814				
	50,796			361	
				536	
267,631	274,729	\$7,098	15,359	897	(14,462)
	259,110				
	15,534			250	
335,081	274,644	60,437	518	250	268
(67,450)	85	67,535	14,841	647	(14,194)
75,100	78,933	3,833			0
(85,467)	(99,008)	(13,541)	(10,789)	(19,246)	(8,457)
		0			0
(10,367)	(20,075)	(9,708)	(10,789)	(19,246)	(8,457)
(77,817)	(19,990)	57,827	4,052	(18,599)	(22,651)
355,228	355,228		18,925	18,925	0
\$277,411	\$335,238	\$57,827	\$22,977	\$326	(\$22,651)
=====	=====	=====	=====	=====	=====

**TOTAL OPERATING REVENUES
COMBINED STATEMENT OF INCOME - ALL PROPRIETARY FUND TYPES
AND SIMILAR TRUST FUNDS**

Year ended March 31, 2004

	Proprietary Fund types	Fiduciary Fund Types
	Enterprise	Non-expendable Trust
OPERATING REVENUES		
Flat rate sales:		
General customers	\$371,620	
Governmental units	34,367	
Hydrant rental	8,428	
Cemetery perpetual care		\$4,666
Other revenue	11,024	
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	425,439	4,666
OPERATING EXPENSES		
Administrative and accounting:		
Salaries and wages	72,258	
Employee benefits	37,266	
Office supplies and travel	22,110	
Professional fees	12,149	
	<hr/>	
	143,783	
Maintenance:		
Salaries and wages	82,120	
Employee benefits	42,033	
Operating supplies	1,051	
Repairs and maintenance	28,531	
Truck and equipment expense	8,635	
Liability and fire insurance	13,800	
	<hr/>	
	176,170	
Power and pumping:		
Utilities	57,414	
Distribution:		
Provision for depreciation	82,969	
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	460,336	
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(\$34,897)	\$4,666

See notes to financial statements.

FORSYTH TOWNSHIP
COMBINED STATEMENT OF INCOME - ALL PROPRIETARY FUND TYPES
AND SIMILAR TRUST FUNDS (continued)
Year ended March 31, 2004

	<u>Proprietary Fund types</u>	<u>Fiduciary Fund Types</u>
	Enterprise	Non-expendable Trust
OPERATING INCOME (LOSS)	(\$34,897)	\$4,666
OTHER REVENUE - Interest income	6,538	2,895
OTHER EXPENSE Interest on bonds	(30,284)	
	<hr/>	<hr/>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(58,643)	7,561
Operating transfers out		(2,895)
	<hr/>	<hr/>
NET INCOME (LOSS)	(\$58,643) =====	\$4,666 =====

See notes to financial statements.

FORSYTH TOWNSHIP
COMBINED STATEMENT OF EQUITY - ALL PROPRIETARY FUND TYPES AND
SIMILAR TRUST FUNDS
Year ended March 31, 2004

	<u>Proprietary Fund types</u>	<u>Fiduciary Fund Types</u>
	<u>Enterprise</u>	<u>Non-expendable Trust</u>
CAPITAL GRANTS FROM FEDERAL AND STATE GOVERNMENT:		
Grants - no change	\$2,015,319	
Amortization:		
Balance at beginning of year	1,076,234	
Provision for depreciation applicable to fixed assets purchased with grants	<u>41,681</u>	
	<u>1,117,915</u>	
BALANCE AT END OF YEAR	<u>\$897,404</u>	
	=====	
CONTRIBUTION FROM TOWNSHIP:		
No change during year	\$63,048	
	=====	
CONTRIBUTION FROM CUSTOMERS:		
Balance at beginning of year	\$191,340	
Contributions	1,650	
BALANCE AT END OF YEAR	<u>\$192,990</u>	
	=====	
SPECIAL ASSESSMENTS:		
No change during year	\$44,043	
	=====	
RETAINED EARNINGS - UNRESERVED:		
Balance at beginning of year	\$484,343	\$145,899
Net income (loss) for the year	(58,643)	4,666
Provision for depreciation applicable to fixed assets purchased with grants	<u>41,681</u>	
NET INCREASE	<u>(16,962)</u>	<u>4,666</u>
Adjustments:		
Decrease (increase) in general contingency reserve	12,513	
BALANCE AT END OF YEAR	<u>\$479,894</u>	<u>\$150,565</u>
	=====	=====
RETAINED EARNINGS -reserved for bond ordinances		
Balance at beginning of year	\$159,828	
Net increase (decrease) per above	<u>(12,513)</u>	
BALANCE AT END OF YEAR	<u>\$147,315</u>	
	=====	

See notes to financial statements.

FORSYTH TOWNSHIP
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY
FUND TYPES AND SIMILAR TRUST FUNDS
Year ended March 31, 2004

	Proprietary Fund types	Fiduciary Fund Types
	Enterprise	Non-expendable Trust
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	(\$34,897)	\$4,666
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	82,969	
Changes in assets and liabilities:		
(Increase) decrease in receivables	(5,002)	99
Increase (decrease) in accounts payable and accrued expenses	(13,548)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	29,522	4,765
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Decrease in due to other funds		(1,515)
Operating transfers to other funds		(2,895)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	0	(4,410)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on long term advance	3,788	
Principal paid on bonds and capital lease obligations	(67,357)	
Interest paid on bonds and capital lease obligations	(32,121)	
Contributions from customers for connections/special assesments	1,650	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(94,040)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	6,630	2,895
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,630	2,895
NET INCREASE (DECREASE) IN CASH	(57,888)	3,250
Cash and equivalents at beginning of year	319,849	150,089
CASH AND EQUIVALENTS AT END OF YEAR	\$261,961	\$153,339
	=====	=====

See notes to financial statements.

FORSYTH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity, these financial statements present Forsyth Township, Marquette County, Michigan. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether financial statements would be misleading if component unit data were not included. The accounting policies of Forsyth Township conform to generally accepted accounting principles with the exception of the Township's general fixed assets, which are not recorded.

Description of Township Operations

The Township operates under an elected Board of Trustees (5 members) and provides services to its 4,824 residents (2000 Census), including public safety, recreational, sanitation and public water and sewer. The Township is a participant in the Marquette County Solid Waste Management Authority. The financial statements of the Authority are not included in the financial statements of the Township.

Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types, three broad fund categories and one account group as follows:

Governmental Funds

General Fund - General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds include the Gwinn Clubhouse Association, Library, and Senior Citizens Grant Funds, and the Township Improvement Revolving Fund.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Gwinn Clubhouse Association Fund is used to account for revenue derived from a specific property tax levy and user charges for the operation and maintenance of recreational programs. The Library Fund is used to account for revenues derived from and transferred from the general fund based on the allocation of property tax of 0.5000 mills and penal fines. These revenue sources are used for operation and maintenance of the Forsyth Township Library.

The Senior Citizens Grant Fund is used to account for grants, entitlements and other revenues restricted by the grantor for the operation of senior citizen related activities.

The Township Improvement Revolving Fund is used to account for funds set aside by the township for public improvement.

Capital Projects Funds - These funds are used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations. The Township's Capital Projects Fund is the Sidewalk Special Assessment District and the Horseshoe Lake Assessors Plat. The Assessors Plat of Little Shag Lake is a project in-process with no billings to-date. Expenditures incurred of \$14,520 are included in prepaid expenses in the General Fund.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Funds of the Township are the Water Supply System Fund and the Sewage Disposal System Fund.

The Township applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Funds

Non-expendable Trust Funds - Non-expendable Trust Funds are those whose principal must be preserved intact. The Non-expendable Trust Fund of the Township is the Cemetery Perpetual Care Fund.

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds which includes the Tax Collection Fund.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Group

General Long-Term Debt Account Group - This Account Group presents the balance of general obligation long-term debt which is not recorded in Proprietary Fund.

Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis; revenues are recognized when they become susceptible to accrual (i.e., when they become both measurable and available to finance expenditures of the current period). Expenditures are generally recognized when the related fund liability is incurred with exceptions, such as interest and principal on long-term debt and accumulated unpaid vacation and sick pay.

All Proprietary Funds and Non-expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The Township does not use the encumbrance method of accounting.

Budgets and Budgetary Accounting

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgeted revenues and expenditures of the budgetary funds have been approved and presented on a functional basis. Unexpended appropriations lapse at year end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Total Columns on Combined Statements

Total columns on the combined statements are captioned Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash consists of bank demand and time deposits and mutual fund investments with a maturity of three months or less.

For the purpose of the statement of cash flows, the Proprietary and Similar Trust Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition as cash in the accompanying financial statements.

Investments

The Township has a Deferred Compensation Plan for its employees. Funds contributed are invested by an insurance company and classified as investments on the balance sheet.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption or sale. The cost is recorded as an expenditure at the time individual inventory items are consumed or sold. This is the consumption method of accounting for inventory.

Receivables

Property taxes, trade accounts, and accrued interest receivable represent Township revenues earned through March 31, but that were not received until after March 31. Management has recorded allowances for uncollectible receivables for portions of receivables not collected within a reasonable time after year end.

Prepaid Expenses

Insurance premiums paid in advance, unamortized maintenance contracts and expenses for special assessment projects in progress are included in prepaid expenses.

Interfund Receivables/Payables

During the course of its operations the various funds of the Township have numerous transactions between them. These interfund transactions are for such things as financing operations, advances, remittance of taxes collected, and working capital needs. To the extent that certain transactions between funds have not been paid as of March 31, 2004, balances of interfund amounts receivable or payable have been recorded.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All fixed assets of the Enterprise Fund are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Interest incurred during construction of fixed assets is capitalized. Such assets do not include infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems.

The cost of fixed assets of all other funds are included in expenditures when incurred and are classified as capital outlay expenditures.

Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental Funds. This Account Group is not considered a "fund". It is concerned only with the measurement of financial position and is not involved with the results of operations.

Because of their spending measurement focus, expenditures recognition for Governmental Fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund types expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets and Long-Term Liabilities (continued)

All Proprietary Funds and Non-expendable Trust Funds are accounted for on a cost of services or "Capital Maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

A provision for depreciable fixed assets, including amortization of capital lease assets, used by the Enterprise Funds is charged as depreciation expense against operations. Accumulated depreciation is reported on the Enterprise Funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Sewage Fund	Water Fund
Structures and improvements	20 years	10 - 35 years
Sewage treatment plant	50 years	
Collection and distribution system	50 years	50 years
Equipment	5 - 20 years	3 - 20 years

Amortization of Capital Grants

The Enterprise Fund has adopted the reporting recommendation of the National Council on Governmental Accounting Statement 2 on "Grant Entitlements and Shared Revenue Accounting and Reporting by State and Local Governments". The statement requires that the amortization of fixed assets purchased with government grant funds be shown as a reduction of the related grant equity.

Accounts Payable/Accrued Interest

Amounts due for expenses incurred but not paid are recorded as accounts payable on the balance sheet.

Retention Payable

Retention is amounts held back from contractors until construction projects are completed.

Deferred Revenue

The Township reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Compensation and Related Liabilities

This represents salaries and wages, vacation, sick pay and other related liabilities earned but not paid to Township employees as of March 31, 2004.

Compensated Absences

Vested unpaid vacation and sick pay amounts are accrued when incurred in Proprietary Funds (using the accrual basis of accounting). Noncurrent (over one year) amounts are not accrued in governmental funds (using the modified accrual basis of accounting), but are included in the general long-term debt group of accounts. The vested unpaid noncurrent balance applicable to the General and Special Revenue Funds included in the general long-term debt group of accounts at March 31, 2004 was \$111,191. The current portion is determined by the budgeted amount approach, which includes only those employees terminated by year-end and paid after year-end.

NOTE B - CASH & INVESTMENTS

Deposits are carried at cost. Deposits of the Township are at two banks and one credit union in the name of the Township Treasurer. Act 217, PA 1982, (MCL 129.91) authorizes the Township to deposit and invest in the account of the Federally insured bank, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond or other forms for the deposit of public monies. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Townships cash deposits are in accordance with statutory authority.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE B - CASH & INVESTMENTS (continued)

The Governmental Accounting Standards Board Statement Number 3 risk disclosure for the Township's cash deposits are as follows:

<u>Carrying Amount</u>	
Insured (FDIC and NCUA)	\$ 215,898
Uninsured and uncollateralized	<u>1,934,372</u>
Total deposits per bank	2,150,270
Less net reconciling items	(601,189)
Plus cash on hand	<u>465</u>
Total carrying amount	<u><u>\$1,549,546</u></u>
Cash per combined balance sheet:	
Unrestricted cash	\$1,402,231
Restricted cash	<u>147,315</u>
Total cash per combined balance sheet	<u><u>\$1,549,546</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE B - CASH & INVESTMENTS (continued)

Investments with Fiscal Agents: The Township has investments purchased through an insurance company for the Township's Deferred Compensation Plan. The Township's deferred compensation investments are in accordance with statutory authority, which is Michigan Compiled Law, Section 129.94.

The Deferred Compensation Plan monies are invested in mutual funds that cannot, by definition, be categorized by risk. A summary of the investments at March 31, 2004, which are recorded at market value, are presented as follows:

<u>Investment Series</u>	<u>Investment Value</u>
Aetna Growth & Income Fund	\$ 2,795
Aetna Balance Fund	15,926
Aetna Fixed Fund	479
Janus Aspen Worldwide	32,655
Janus Aspen Balanced	<u>4,976</u>
Total	<u>\$56,831</u>

NOTE C - PROPERTY TAXES

Property taxes for the Township are levied on December 1 and are payable without penalty by March 1. In addition to Township taxes, the Township levies for the County of Marquette, Gwinnett Area Community School District, the Marquette Alger Educational Regional Services Agency, and State Education Tax. County and school tax collections and remittances are accounted for in the Agency Funds. Township property taxes are recognized when levied as revenue to the extent that they result in current receivables (generally collected within 60 days). Delinquent property taxes receivable not collected within 60 days are carried as deferred revenue.

A statewide referendum, commonly known as Proposal A, took effect in 1994. Under this law, a new term, "Taxable Value", has been created. Proposal A limits annual increases in taxable value of property to the lesser of 5% or the rate of inflation. Initial taxable values, for 1994, were equal to state equalized values in that year. The maximum allowable increase in taxable value for 2003 was 1.5%.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE C - PROPERTY TAXES (continued)

An exception to the maximum increase is new construction, which is taxed at its assessed value for the year of construction, and is then subject to the limitations in subsequent years. A property's taxable value will be adjusted for properties sold during the year.

Revenues include delinquent real property taxes remitted by the County of Marquette from proceeds of notes payable issued by the County. If delinquent taxes are not collected by the County within three years, the Township may be required to refund the taxes plus interest.

The assessed value of real and personal property located in the Township at December 1, 2003, totaled \$126,137,827 representing 50% of estimated current value. Taxable value at December 1, 2003 is \$103,358,663.

The tax levy for that year was based on the following millage rates (one mill is equal to \$1.00 per \$1,000 of taxable value):

		Year <u>expiring</u>
General Fund:		
Allocated	1.2643 mills	N/A
Voted - Operating	<u>4.9968</u> mills	2004
Total General Fund	6.2611 mills	
Clubhouse Fund/Recreation	<u>1.9167</u> mills	2014
TOTAL	<u>8.1778</u> mills	

The Township allocates (restricts) 0.5000 mills for Library operations.

NOTE D - SEWER CONNECTION CHARGES RECEIVABLE

Sewer connection charges receivable represent amounts due from customers for connections related to the 1980 sewage system expansion. Connection charges of \$700 per customer are payable over 30 years plus interest at 6%.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Amounts due from (receivable) and to (payable) the individual funds, by fund, as of March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
		Water (A)	\$66,917
		Trust and Agency	1,396
		Senior Citizen	4,762
		Cemetery	2,895
		Capital Projects - Sidewalk	11,239
		Capital Projects - Horseshoe	<u>8,007</u>
General	\$95,216		\$95,216
Water	6,321		
Library	<u>6,859</u>		
	13,180	General	13,180
		Township Improvement Revolving Fund	<u>7,816</u>
Water	<u>7,816</u>		
Total	<u>\$116,212</u>	Total	<u>\$116,212</u>

(A) - Due to General Fund of \$66,917 is interest bearing.

Interfund transfers are included under "Other Financing Sources (Uses)" or "Operating Transfers Out" in the accompanying financial statements as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
		Cemetery Perpetual Care	\$ 2,895
		Senior Citizen	56,706
		Township Improvement Revolving Fund	42,280
		Trust and Agency	603
		Capital Projects - Sidewalk	11,239
		Capital Projects - Horseshoe	<u>8,007</u>
General	\$121,730		\$121,730
Library	54,933	General	54,933
Township Improvement Revolving Fund	<u>24,000</u>	General	<u>24,000</u>
Total	<u>\$200,663</u>	Total	<u>\$200,663</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - RESTRICTED ASSETS AND RESERVES

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>
Restricted Assets:		
Sewage connection charges receivable, less allowance of \$2,000	\$ 3,063	
Bond and Interest Redemption Fund cash and savings deposit	18,750	
General Purpose Account cash	58,186	
Junior Lien Redemption Fund cash	21,999	
Junior Lien Bond Reserve Account cash	40,000	
Replacement Fund Savings deposits		<u>\$8,380</u>
	<u>\$141,998</u>	<u>\$8,380</u>
Reserves:		
Bond and interest redemption	\$ 18,750	
Junior Lien Redemption Fund	21,999	
General contingency	58,186	
Junior lien bond reserve	40,000	
Replacement		<u>\$8,380</u>
	<u>\$138,935</u>	<u>\$8,380</u>

The Ordinance authorizing the construction of the Sewage Disposal System was adopted on September 30, 1970, and allowed for the issuance of General Obligation Bonds. A subsequent Ordinance was adopted on May 9, 1979, for the purpose of constructing additions and improvements to the System and authorized the issuance of Sewage Disposal System Revenue bonds. This Ordinance creates a statutory lien on the revenues of the System junior to the lien previously created for the General Obligation Bonds issued.

The Ordinances authorizing issuance of the Bonds require that operating revenues be used generally in the following order:

1. Sewage grant funds can be used for expansion of the System and payment of noncurrent obligations of the System.
2. Bond proceeds must be deposited in the **Construction Account** and used for the purpose of paying costs of construction of the System and interest during the estimated period of construction, which interest is capitalized as a cost of construction. Any unexpended balance of the proceeds of the sale of the bonds remaining after completion of the project shall be paid immediately into the **Junior Lien Redemption Fund** to be used for bond redemption.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - RESTRICTED ASSETS AND RESERVES (continued)

3. Monthly transfers must be made from the **Receiving Fund**, which is used for initial deposit of all operating receipts, to the **Operation and Maintenance Account** in amounts necessary to pay the current expenses of administration, operation and maintenance of the System for the ensuing month, pursuant to the budget. Such amounts are included in cash under the current asset classification.
4. Monthly transfers must be made to the **Bond and Interest Redemption Fund** necessary for the payment of bond and interest maturities until the accumulated balance totals bond and interest maturities for the next eighteen months of \$18,750.
5. Any balance remaining after the requirements of preceding 3 and 4 have been met, will be transferred to the **General Purpose Account** at the rate of \$100 per month until such account accumulates to \$12,000. If the amount requirement is not met by January 1, 1981, \$2,000 is to be transferred to the account in 1981 and \$5,000 in 1982 until the balance in the general purpose account reaches \$12,000. As of March 31, 2004 the balance was \$58,186. Whenever disbursements are made for repairs and replacements resulting from damage caused by an unforeseen catastrophe, making extensions or improvements and transfers to the **Bond and Interest Redemption Fund**, then monthly payments shall resume until the maximum balance is accumulated.
6. Monthly transfers must be made to the **Junior Lien Redemption Fund** for payment of current bond and interest maturities, a sum equal to at least 1/6th of the interest due on the next ensuing interest due date and not less than 1/12th of the principal maturing on the next ensuing principal payment date. The account also includes unexpended bond proceeds which can only be used for redemption or purchase of revenue bonds.
7. Transfers of \$5,000 each fiscal year commencing in 1983 must be made to the **Junior Lien Bond Reserve Account** until such account shall total \$40,000, which is to be used solely for the payment of principal and interest on bonds otherwise in default.
8. Balances of revenues remaining after the above requirements are met shall, at the option of the Township Board, be transferred to the **Bond and Interest Redemption Fund** for the purpose of calling bonds, or to the **General Purpose Account**. However, in the event there is a deficit in any of the funds mentioned above, on account of defaults in setting aside monies as required, then transfers of remaining revenues shall be made to these funds in the priority and order as herein enumerated.

The restricted assets of the Water System are the result of bond ordinance requirements related to the 1959 Revenue Bond Issue. As of February 28, 1988 there are no bonds outstanding. Accordingly, there are no further funding requirements for bond and interest redemption. The funding requirements of the Replacement Fund are still applicable.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - RESTRICTED ASSETS AND RESERVES (continued)

The Ordinance authorizing the construction of additions, extensions and improvements to the Water Supply System, adopted April 28, 1959, and amendments thereto, required that the Replacement Fund be funded as follows:

Transfers of \$700 each fiscal year must be made to the **Replacement Fund** until such fund shall total \$6,250. Whenever monies shall be used from such fund to make replacements of the system, they will be restored from the net revenues of the system.

NOTE G - DEFERRED REVENUE

Deferred revenue is comprised of the following items:

	General Fund	Special Revenue Fund	Capital Projects Fund
Property taxes	\$5,518	\$6,117	
Special assessments receivable	—	—	\$2,829
	<u>\$5,518</u>	<u>\$6,117</u>	<u>\$2,829</u>

NOTE H - FIXED ASSETS

A summary of the Enterprise Fund property plant and equipment follows:

	Balance April 1, 2003	Additions	Balance March 31, 2004
Land and easements	\$ 14,160		\$ 14,160
Structures and improvements	437,122		437,122
Sewage treatment plant	591,135		591,135
Collection and distribution system	2,163,844		2,163,844
Equipment	148,004		148,004
Capital lease assets	688,813		688,813
Construction in progress	<u>7,656</u>	<u>—</u>	<u>7,656</u>
	4,050,734		4,050,734
Accumulated depreciation	<u>(2,009,181)</u>	<u>(82,969)</u>	<u>(2,092,150)</u>
Net book value	<u>\$2,041,553</u>	<u>\$(82,969)</u>	<u>\$1,958,584</u>

The U.S. Army Corp of Engineers replaced manholes damaged by flooding of the Sewer Fund. No funds were expended by the Township and the estimated project costs incurred by the Corp during 2003 were approximately \$300,000, were are not recorded in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE H - FIXED ASSETS (continued)

Amortization expense of the capital lease assets of \$13,776 is included in depreciation expense.

NOTE I - CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year, excluding Enterprise Funds which are disclosed in the Statement of Cash Flows:

	<u>General Fund</u>	
	<u>Notes Payable</u>	<u>Vacation and Sick Pay</u>
Balance at April 1, 2003	\$211,762	\$103,631
Increase during year		56,228
Principal payments	<u>(49,548)</u>	<u>(48,668)</u>
Balance at March 31, 2004	<u>\$162,214</u>	<u>\$111,191</u>
Interest expense for the year	<u>\$ 13,379</u>	

General Fund capital lease/purchase payables of \$77,586 are secured by equipment costing \$266,149. General Fund notes payable of \$84,628 are secured by the full faith and credit of the Township.

NOTE J - SUMMARY OF LONG-TERM DEBT

On July 28, 1998, the Township's water system refinanced the capital lease with the County of Marquette. The County issued \$470,000 Marquette County Refunding Bonds Limited Tax Series 1998B underlying debt to achieve a savings of approximately \$23,000 over the remaining life of the debt. The maturity date did not change. The costs associated with this in substance defeasance are reflected on the enterprise funds' balance sheet as a reduction of the related debt, in accordance with GASB Statement No. 23. Information included in this note relates to the gross bond issue. These deferred costs are amortized over the life of the bond issue as a component of interest expense.

	<u>Debt</u>	<u>Interest</u>
Principal balance at end of year	\$185,000	\$14,478
Related Costs	<u> </u>	<u>7,643</u>
Per Financial Statement	<u>\$185,000</u>	<u>\$22,121</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE J - SUMMARY OF LONG-TERM DEBT (continued)

The following is a summary of the debt outstanding (including current portions) of the Township as of March 31, 2004:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General long-term debt:				
General Fund notes payable	1	0 - 8.25%	2010	\$84,628
General Fund Capital Lease/purchase	2	5% - 6.15%	2006	77,586
Unpaid vacation and sick pay	N/A	N/A	N/A	<u>111,191</u>
TOTAL GENERAL LONG-TERM DEBT				273,405
Enterprise Fund:				
Sewage Disposal System:				
General Obligation Bonds	1	5%	2008	55,000
Revenue Bonds	1	5%	2013	120,000
Water Supply System:				
Capitalized Lease	1	3.80%-4.50%	2007	<u>185,000</u>
TOTAL ENTERPRISE FUND LONG-TERM DEBT				<u>360,000</u>
TOTAL LONG-TERM DEBT				<u>\$633,765</u>

The annual requirements to amortize all debt outstanding (excluding unpaid vacation and sick pay) as of March 31, 2004, including interest payments, are as follows:

	2005	2006	2007	2008	2009	2010- 2013	Total
General Fund:							
Notes Payable	\$ 2,981	\$ 19,647	\$ 19,932	\$19,821	\$ 20,025	\$ 20,544	\$ 102,950
Capital lease/purchase	28,608	33,608	18,608				80,824
Sewage Disposal System Bonds:							
General Obligation	17,750	17,000	16,250	10,500			61,500
Revenue	16,000	15,500	15,000	19,500	18,750	67,500	152,250
Water Supply System:							
Capital lease	<u>63,490</u>	<u>66,015</u>	<u>73,225</u>				<u>202,730</u>
	<u>\$128,829</u>	<u>\$151,770</u>	<u>\$143,015</u>	<u>\$49,821</u>	<u>\$38,775</u>	<u>\$88,044</u>	<u>\$600,254</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE J - SUMMARY OF LONG-TERM DEBT (continued)

General Fund notes payable consist of the following:

	Balance <u>April 1, 2003</u>	<u>Proceeds</u>	Principal <u>Payments</u>	Balance at <u>March 31, 2004</u>
Marquette County Solid Waste Management Authority	\$97,619		\$12,991	\$84,628
Installment lease/ purchase contracts:				
Fire truck	64,256		14,656	49,600
Ambulance	13,750		13,750	
Office Building	<u>36,137</u>	<u> </u>	<u>8,151</u>	<u>27,986</u>
TOTAL GENERAL FUND NOTES PAYABLE	<u>\$211,762</u>	<u> </u>	<u>\$49,548</u>	<u>\$162,214</u>

The Water System has entered into a capital lease with the County of Marquette to obtain financing for a Water System Improvement Project. On July 28, 1998 the County of Marquette issued Marquette County Refunding Bonds - Limited Tax, Series 1998B, in the amount of \$470,000. Interest rates range from 3.80% to 4.50% over the remaining term of the lease.

The Water System is liable for the following minimum lease payments.

<u>Fiscal Years Ending</u>	<u>Capital Lease</u>
2005	63,490
2006	66,015
2007	<u>73,255</u>
	202,760
Present value of net minimum lease payments	<u>185,000</u>
Interest portion	<u>\$ 17,760</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE K - RESERVED FUND BALANCE

The Township reserves fund balance for the following:

Cemetery Care - All of the principal of the Cemetery Perpetual Care Fund (a non-expendable trust fund) were accumulated from receipts for perpetual care of cemetery plots of which the principal cannot be expended. Investment income is transferred to the general operating fund annually for cemetery care.

Long Term Receivable - Fund balance in the General Fund is reserved for an amount equal to a long term advance to the Water Fund, as this does not constitute "available spendable resources".

Other - Amount withheld from former employee for recovery of loss

NOTE L - PURCHASE COMMITMENTS

The Township decided to have a mid-decade census to be performed in September, 2004. \$52,607 is included in other expenditures of the General Fund and an additional \$50,000 is expected to be incurred in the subsequent year.

The Township has also contracted for survey fees for the Little Shag Lake Assessor's Plat. The total cost is expected to be approximately \$30,000. Current year fees were \$14,520, leaving a remaining commitment of approximately \$15,480. The cost of the project is expected to be recovered through a special assessment on the affected properties.

NOTE M - JOINT VENTURES

Marquette County Solid Waste Management Authority

During 1988, Forsyth Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE M - JOINT VENTURES (continued)

Marquette County Solid Waste Management Authority (continued)

The Authority shall be governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's pro-rate share (based on population) of assets, liabilities, and fund equity is 7.46 percent. Summary financial information as of and for the fiscal year ended June 30, 2003, is as follows:

Total Assets	\$12,216,894
Total Liabilities	2,302,341
Total Equity	9,914,553
Total Operating Revenues	2,557,446
Total Operating Expenses	1,841,275
Other Income (Expenses)	209,258
Net Income	925,429
Total Joint Venture's	
Outstanding Long-Term Debt	1,937,555

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

The Township is a guarantor by pledging the full faith and credit of the Township for their allocated portion of bonds issued by the Authority in the amount of \$74,483 outstanding at March 31, 2004 at a variable interest rate for 20 years. This amount is not included as a liability in the accompanying financial statements.

The Authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirements of the Authority's bonds, that are guaranteed by the Township. The annual amount including interest ranges from \$14,511 to \$15,668 per year and is included as sanitation department expenses in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE M - JOINT VENTURES (continued)

In addition, bonds were issued to finance the Township's portion of the initial construction costs and site search. These bonds are recorded as a liability in the General Long-Term Debt Account Group and have a balance outstanding of \$84,628 at March 31, 2004.

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, MI 49855.

Sawyer Operations Authority

An Inter-Local Agreement was entered into by Forsyth Township and West Branch Township on May 1, 2003 under Act 7, the Urban Cooperation Act of 1967 MCL124.501 et seq, a separate legal entity, a corporate body public.

The purpose of the Sawyer Operations Authority (SOA) is to provide management, development, and promotion for the community surrounding Sawyer International Airport (part of the former K.I. Sawyer Air Force Base).

West Branch Township is the fiscal agent for the SOA. Only Forsyth Township's share of SOA operations are included in these financial statements under General Fund expenditures of \$26,800.

NOTE N - PENSION PLAN

The Township sponsors two pension plans, one a defined contribution plan, the other a defined benefit plan. The Township does not include here all of the disclosures required by generally accepted accounting principles relating to these plans. Readers are referred to annual reports of the plans for further information.

The first plan, a defined contribution plan, covered substantially all full time employees and Board members who chose to belong. Since the inception of the defined benefit plan, only the Board members are active participants in the defined contribution plan.

The Township also participates in an agent multi-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. Substantially all full time employees are covered by this plan.

The Township's total gross payroll for the year ended March 31, 2004 was \$924,909, of which approximately \$684,410 was covered by a pension plan. Pension contributions by the Township totaled \$134,843, which is approximately 19.70% of covered payroll (weighted average). The contribution rates ranged from 13.37% to 21.19% from the various groups.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE O - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two enterprise funds, the Sewage Disposal System and the Water Supply System. For purposes of the combined financial statements, segment information is as follows:

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total</u>
Operating revenues	\$136,932	\$288,022	\$425,439
Operating expenses before depreciation	139,797	237,570	377,367
Depreciation	<u>38,252</u>	<u>44,717</u>	<u>82,969</u>
Operating Income (Loss)	(41,117)	6,220	(34,897)
Other revenues - interest income	5,326	1,212	6,538
Other Expense:			
Interest on bonds and capital lease obligation	<u>(8,163)</u>	<u>(22,121)</u>	<u>(30,284)</u>
Net Income (Loss)	<u>\$(43,954)</u>	<u>\$(14,689)</u>	<u>\$(58,643)</u>
Current capital contributions	<u>\$1,400</u>	<u>\$250</u>	<u>\$1,650</u>
Property, plant and equipment:			
Additions (net)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Current assets	\$119,206	\$50,975	\$170,181
Current liabilities	<u>30,639</u>	<u>82,862</u>	<u>113,501</u>
Net working capital	<u>\$88,567</u>	<u>\$(31,887)</u>	<u>\$56,680</u>
Bonds and other long-term liabilities payable from operating revenues	<u>\$150,000</u>	<u>\$196,917</u>	<u>\$346,917</u>
Total assets	\$1,117,783	\$1,167,334	\$2,285,117
Total liabilities	<u>180,639</u>	<u>279,779</u>	<u>460,418</u>
Fund equity	<u>\$937,144</u>	<u>\$887,555</u>	<u>\$1,824,699</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE P - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Township with other municipalities, participate in the Michigan Municipal Liability and Property Pool. The Township pays an annual premium for its general insurance coverage. The pool may not assess members supplemental assessments nor will members receive any refunds.

The Township continues to carry commercial insurance for other risk of loss, including worker's compensation and employee health insurance.

NOTE Q - BUDGET

The Township Board amended the budgets of the various funds during the fiscal year. The financial statements reflected these amended budgets.

Expenditures in the Senior Citizens Grant Fund (a special revenue fund) exceeded the budget by \$708 and in the General Fund by \$25,725.

NOTE R - DEFERRED COMPENSATION PLAN

The Forsyth Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until the employee's termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights (until made available to the employee or other beneficiary are solely the property and rights of the Township (without being restricted to the provisions of benefits under the plan), subject only to the claims of the general creditors of the Township.

Employee's rights created under the plan are equivalent to those of general creditors of the Township and only in an amount equal to the fair market value of the deferred account maintained with respect to each employee.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE R - DEFERRED COMPENSATION PLAN (continued)

In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs. The Township has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. In addition, the Township believes that it is unlikely it will use the assets to satisfy the claims of general creditors in the future.

The plan is administered by the Aetna Life Insurance and Annuity Company. Aetna, as plan administrator, agrees to hold harmless and indemnify the Township, its appointed and elected officers and participating employees from any loss resulting from Aetna or their agent's failure to perform their duties and services pursuant to the program.

NOTE S - CONTINGENCIES

Several public utility companies have pending appeals against the Township with the Michigan Tax Tribunal. They are appealing the multiplier for determining personal property taxes of such utilities. Some of the utilities have paid the lower amount (as claimed in the appeal) to the Township. The other utilities have paid the full amount as billed by the Township. The outcome is not determined, but could result in significant refunds of taxes by the Township and other governmental units to the plaintiffs (tax payers). The Township portion of estimated refunds to taxpayers is as follows, excluding interest:

Tax Years 2000 to 2003	\$39,100
Tax Year 2004	<u>10,100</u>
Total	<u>\$49,200</u>

The estimated amounts due from taxpayers, should the Township prevail in the appeal, is approximately \$6,900, excluding interest as of the balance sheet date.

Also, Louisiana Pacific Corporation is protesting their prior two years personal property tax assessment totaling approximately \$70,000 (Township portion only) each year. The outcome is uncertain.

No provision for possible losses has been made in the accompanying financial statements for possible future losses for any of the above property tax disputes.

**OTHER
FINANCIAL
INFORMATION**

kroncich & ASSOCIATES P.C.

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

The Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

The audited general purpose financial statements of Forsyth Township and our report thereon, are presented in the preceding section of this report. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The other financial information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the general purpose financial statements of Forsyth Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Kroncich & Associates, P.C.
Certified Public Accountants

Marquette, Michigan
December 16, 2004

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF REVENUES AND OTHER
FINANCING SOURCES - COMPARATIVE

	Year ended March 31,	
	2004	2003
PROPERTY TAXES		
Ad Valorem property taxes	\$609,452	\$645,197
Commercial forest reserve	1,819	2,812
Homestead and Swampland tax	40,004	40,004
Penalties and interest on taxes	26	46
Trailer court fees	275	300
Tax administration fees	30,187	32,716
	<hr/>	<hr/>
TOTAL PROPERTY TAXES	681,763	721,075
LICENSES AND PERMITS		
Liquor licenses	5,133	5,255
Business Permits	5	10
Dog licenses	378	339
	<hr/>	<hr/>
TOTAL LICENSES AND PERMITS	5,516	5,604
STATE GRANTS		
State shared revenues	509,350	620,409
Other (MDOT - Storm Sewer)	46,644	49,070
	<hr/>	<hr/>
TOTAL STATE GRANTS	555,994	669,479
CHARGES FOR SERVICES		
Cemetery care	7,739	9,788
Ambulance fees	152,982	109,675
Zoning permits	6,588	4,281
Office and secretarial services	5,520	5,520
Fire department charges	10,316	1,750
Trash Collection	2,943	
	<hr/>	<hr/>
TOTAL CHARGES FOR SERVICES	186,088	131,014
FINES AND FORFEITURES		
Parking and ordinance fines	0	2,500
INTEREST	\$16,263	\$22,311

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF REVENUES AND OTHER
FINANCING SOURCES - COMPARATIVE (continued)

Year ended March 31,
2004 2003

OTHER

Rental income	\$6,134	\$7,500
Bldgs. insurance & other reimbursements	117,543	18,330
Native American Tribe - in lieu of taxes	10,030	
County Economic Development Corporation	33,000	
State MI - summer tax	10,075	
Donations	9,585	12,808
Miscellaneous	19,917	12,658

TOTAL OTHER	206,284	51,296
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TOTAL REVENUES	1,651,908	1,603,279
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OTHER FINANCING SOURCES:

LOAN PROCEEDS		50,000
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TRANSFERS FROM OTHER FUNDS

Perpetual Care Fund	2,895	4,410
Senior Citizens Fund	56,706	56,357
Other Funds	62,128	34,467

TOTAL TRANSFERS FROM OTHER FUNDS	121,729	95,234
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TOTAL REVENUES AND OTHER FINANCING SOURCES	\$1,773,637 =====	\$1,748,513 =====
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FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE

	Year ended March 31,	
	2004	2003
LEGISLATIVE		
Supervisor	\$13,500	\$13,500
Clerk/Deputy Clerk	11,500	11,000
Treasurer/Deputy Treasurer	9,500	9,000
Trustees	10,000	10,000
Payroll taxes	3,101	3,051
Insurance and retirement	6,708	6,103
Travel	715	907
	<hr/>	<hr/>
TOTAL LEGISLATIVE	55,024	53,561
GENERAL GOVERNMENT		
Elections:		
Salaries and wages	1,107	9,556
Payroll taxes	40	381
Supplies and other expenses	684	4,699
	<hr/>	<hr/>
	1,831	14,636
Assessor:		
Salaries and wages	97,855	84,275
Payroll taxes	7,374	6,348
Employee insurance	5,335	4,847
Retirement - Assessor	6,527	5,026
Unemployment insurance	505	494
Assessor expense	12,925	2,794
Tax office expense	14,021	8,985
Board of review	3,286	2,228
Zoning - Board of Appeals	3,658	3,088
Planning commission	5,850	5,106
Ordinance commission	9,132	313
	<hr/>	<hr/>
	166,468	123,504
Office:		
Salaries and wages	35,159	24,718
Payroll taxes	2,587	1,797
Employee insurance	5,405	4,737
Retirement - Office	5,893	4,984
Unemployment insurance	196	185
Office supplies and expense	11,673	10,395
	<hr/>	<hr/>
	60,913	46,816
Purchasing - equipment and supplies		

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2004	2003
GENERAL GOVERNMENT (continued)		
Building and grounds:		
Salaries and wages	\$50,126	\$32,396
Payroll taxes	3,723	2,405
Employee Insurance	11,018	9,621
Retirement - Bldgs & Grounds	6,839	6,921
Unemployment insurance	649	671
Fuel	1,871	4,770
Utilities	2,887	6,146
Repairs and maintenance	44,032	24,201
	<hr/>	<hr/>
	121,145	87,131
Cemetery care:		
Salaries and wages	22,145	21,939
Payroll taxes	1,589	1,607
Insurance	570	636
Retirement - Cemetery	4,484	4,165
Unemployment insurance	419	334
Other expense	3,429	1,527
	<hr/>	<hr/>
	32,636	30,208
Unallocated:		
Travel, dues, special functions	5,257	5,936
Professional services	39,943	40,645
Publishing and printing	3,500	2,187
Community promotions	5,417	5,529
Taxes abated and written off		
	<hr/>	<hr/>
	54,117	54,297
	<hr/>	<hr/>
TOTAL GENERAL GOVERNMENT	437,110	356,592
 PUBLIC SAFETY		
Law Enforcement:		
Police:		
Patrolmen salaries and wages	206,069	245,352
Payroll taxes	15,380	18,451
Employee insurance	67,076	66,123
Retirement - Police	30,476	48,353
Unemployment insurance	1,574	2,298
Gas, oil, repairs and supplies	24,280	22,548
Utilities	10,746	9,380
Office supplies	4,388	6,035
Uniforms and equipment	4,262	4,960
Crossing guard	2,522	2,564
	<hr/>	<hr/>
	\$366,773	\$426,064

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2004	2003
PUBLIC SAFETY (Continued)		
Law Enforcement (Continued)		
Ambulances:		
Salaries and wages	\$42,115	\$34,674
Payroll taxes	3,199	2,605
Unemployment	512	621
Ambulance expense	32,931	22,015
	<hr/>	<hr/>
	78,757	59,915
Dog Pound:		
Wages	3,486	3,450
Payroll taxes	261	257
Expense	2,488	2,508
	<hr/>	<hr/>
	6,235	6,215
	<hr/>	<hr/>
	451,765	492,194
Fire Protection		
Volunteer fire department fees	17,484	12,142
Payroll taxes	1,338	931
Hydrant rental	8,428	8,428
Maintenance and supplies	26,500	17,132
Employee insurance	1,764	1,486
Utilities	4,725	4,512
Natural Gas	1,049	1,041
	<hr/>	<hr/>
	61,288	45,672
	<hr/>	<hr/>
TOTAL PUBLIC SAFETY	513,053	537,866
	<hr/>	<hr/>
PUBLIC WORKS		
Maintenance department:		
Salaries and wages	75,426	69,792
Payroll taxes	5,684	5,293
Unemployment insurance	441	510
Employee insurance	18,868	10,022
Retirement - Public Works	18,116	16,316
Gas, oil, repairs and supplies	14,499	7,574
Utilities	6,501	4,200
Natural Gas	5,774	3,248
	<hr/>	<hr/>
	145,309	116,955

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2004	2003
Street lighting	\$48,848	\$40,958
	<hr/>	<hr/>
	48,848	40,958
PUBLIC WORKS (Continued)		
Sanitation:		
Waste disposal fee	288	19,816
Sanitary landfill expense	3,745	5,763
	<hr/>	<hr/>
	4,033	25,579
	<hr/>	<hr/>
TOTAL PUBLIC WORKS	198,190	183,492
HEALTH AND WELFARE		
Senior citizens director:		
Senior citizens director's wages	26,994	24,229
Payroll taxes	1,850	1,707
Unemployment insurance	272	494
Employee insurance	12,585	10,985
Retirement - Sr Citizen Director	5,620	5,087
Director expense	31,818	28,016
Other	2,448	2,401
	<hr/>	<hr/>
	81,587	72,919
Clerical and homemaker aides:		
Wages	2,364	705
Payroll taxes	217	54
	<hr/>	<hr/>
	2,581	759
Senior Services Program:		
Office supplies	2,970	2,309
Other	3,420	4,538
	<hr/>	<hr/>
	6,390	6,847
	<hr/>	<hr/>
TOTAL HEALTH AND WELFARE	\$90,558	\$80,525

FORSYTH TOWNSHIP
GENERAL FUND - DETAILS OF EXPENDITURES AND OTHER
FINANCING USES - COMPARATIVE (continued)

	Year ended March 31,	
	2004	2003
OTHER FUNCTIONS		
Insurance and bonds	\$68,544	\$54,760
Retirement		
Miscellaneous expense:		
Refund of property taxes	249	62
Bad debts	64,222	58,299
Sawyer Operations Authority	26,800	
2004 Census Fee	52,607	
Trail Maintenance	10,030	
Other	17,501	11,781
	<hr/>	<hr/>
TOTAL OTHER FUNCTIONS	239,953	124,902
DEBT SERVICE	62,927	65,548
CAPITAL OUTLAY		
Assessor	1,713	3,540
Office	3,687	
Building and grounds	80,445	51,008
Law enforcement	25,282	37,605
Ambulance		90,031
Fire protection	51,886	1,518
Public Works	42,280	683
Other	16,850	14,225
	<hr/>	<hr/>
TOTAL CAPITAL OUTLAY	222,143	198,610
	<hr/>	<hr/>
TOTAL EXPENDITURES	1,818,958	1,601,096
OTHER FINANCING USES		
Transfers to other funds	78,933	149,029
	<hr/>	<hr/>
TOTAL OTHER FINANCING USES	78,933	149,029
	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$1,897,891	\$1,750,125
	=====	=====

FORSYTH TOWNSHIP
GENERAL FUND - BALANCE SHEET - COMPARATIVE

	March 31,	
	2004	2003
ASSETS		
Cash and cash equivalents	\$780,450	\$949,210
Accounts receivable:		
Property taxes	91,373	74,092
State shared revenue	57,237	66,347
Other	421,975	360,157
	<hr/>	<hr/>
	570,585	500,596
Less allowances for doubtful accounts	(393,049)	(335,548)
	<hr/>	<hr/>
	177,536	165,048
Due from other funds	95,216	75,436
Prepaid expense	14,520	
	<hr/>	<hr/>
	\$1,067,722	\$1,189,694
	=====	=====
LIABILITIES AND FUND BALANCE		
Accounts payable	\$17,533	\$15,204
Employee compensation and other related liabilities	1,042	6,143
Due to other funds	13,180	11,755
Deferred revenue	5,518	1,895
Retention payable	0	0
	<hr/>	<hr/>
	37,273	34,997
Fund balance:		
Reserved for:		
Inventory and prepaid expenses		
Recreation projects		
Long term receivable	66,917	63,129
Other	5,000	
Unreserved:		
Undesignated	958,532	1,091,568
	<hr/>	<hr/>
	1,030,449	1,154,697
	<hr/>	<hr/>
	\$1,067,722	\$1,189,694
	=====	=====

FORSYTH TOWNSHIP
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 March 31, 2004

	Gwinn Clubhouse Association	Library Fund	Senior Citizens Grant Fund	Township Improvement Revolving Fund	Combined Total
ASSETS					
Cash and cash					
\$190,473	\$159,312	\$63,799	\$1,268	\$84,717	\$309,096
Receivables:					
Property taxes	31,161				31,161
Due from state		4,000	4,762		8,762
Due from other funds		6,859			6,859
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$190,473	\$74,658	\$6,030	\$84,717	\$355,878
	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCE					
Accounts payable	\$1,610	\$528	\$4,762		\$6,900
Wages payable	(102)	39			(63)
Deferred revenue	5,986				5,986
Due to other funds				7,816	7,816
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	7,494	567	4,762	\$7,816	20,639
Fund Balance:					
Reserved					0
Unreserved	182,979	74,091	1,268	76,901	335,239
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	182,979	74,091	1,268	76,901	335,239
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$190,473	\$74,658	\$6,030	\$84,717	\$355,878
	=====	=====	=====	=====	=====

FORSYTH TOWNSHIP
TOTAL REVENUES
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND**

Year ended March 31, 2004

	Gwinn Clubhouse Association		Library Fund	
	Budget	Actual	Budget	Actual
Revenues:				
Property taxes		\$186,492		
Federal grants				
State grants				8,576
Fines and forfeitures				14,814
Other		7,709		3,321
TOTAL REVENUES	\$186,768	194,201	\$25,363	26,711
Expenditures:				
Recreation and cultural		185,523		73,337
Capital outlay		2,451		13,083
TOTAL EXPENDITURES	233,610	187,974	101,221	86,420
EXCESS OF REVENUES (EXPENDITURES)	(46,842)	6,227	(75,858)	(59,709)
Other financing sources (uses):				
Operating transfer in			51,000	54,933
Operating transfer out				
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(46,842)	6,227	(24,858)	(4,776)
Fund balance at beginning of year	176,752	176,752	78,866	78,866
FUND BALANCE AT END OF YEAR	\$129,910	\$182,979	\$54,008	\$74,090
	=====	=====	=====	=====

Senior Citizens Grant Fund		Township Improvement Revolving Fund		Combined Total	
Budget	Actual	Budget	Actual	Budget	Actual
	9,358				\$186,492
	4,693				9,358
					13,269
	37,657		2,109		14,814
					50,796
<u>51,000</u>	<u>51,708</u>	<u>4,500</u>	<u>2,109</u>	<u>267,631</u>	<u>274,729</u>
			250		259,110
					15,534
<u>0</u>	<u>0</u>	<u>250</u>	<u>250</u>	<u>335,081</u>	<u>274,644</u>
51,000	51,708	4,250	1,859	(67,450)	85
(51,000)	(56,728)	24,100 (34,467)	24,000 (42,280)	75,100 (85,467)	78,933 (99,008)
0	(5,020)	(6,117)	(16,421)	(77,817)	(19,990)
6,288	6,288	93,322	93,322	355,228	355,228
<u>\$6,288</u> =====	<u>\$1,268</u> =====	<u>\$87,205</u> =====	<u>\$76,901</u> =====	<u>\$277,411</u> =====	<u>\$335,238</u> =====

FORSYTH TOWNSHIP
GWINN CLUBHOUSE ASSOCIATION FUND - DETAILS OF REVENUES
AND EXPENDITURES - COMPARATIVE

	Year ended March 31,	
	2004	2003
Revenues:		
Current property taxes	\$186,492	\$197,617
Delinquent property taxes	42	0
Commercial forest reserve	249	861
Penalties and interest on taxes	1	2
Concession sales and rentals	178	0
Other	5,586	3,476
Interest	1,653	2,885
	<hr/>	<hr/>
TOTAL REVENUES	\$194,201	\$204,841
	=====	=====
Expenditures:		
Recreation:		
Salaries	\$75,314	\$89,830
Insurance, taxes and retirement	43,066	39,330
Fuel	7,715	8,249
Telephone, power and water	22,742	16,649
Repairs and maintenance	16,410	20,568
Fire and liability insurance	6,312	5,105
Office supplies and clerical	3,000	3,000
Professional services	1,013	7,987
Carnival expense	1,061	1,117
Miscellaneous	8,890	8,802
	<hr/>	<hr/>
	185,523	200,637
	<hr/>	<hr/>
Capital outlay:		
Furniture and recreation equipment	2,451	4,492
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$187,974	\$205,129
	=====	=====

FORSYTH TOWNSHIP
LIBRARY FUND - DETAILS OF REVENUES AND
EXPENDITURES - COMPARATIVE

	Year ended March 31,	
	2004	2003
Revenues:		
Penal fines	\$14,814	\$14,280
Grants	8,576	22,435
Other	3,321	3,561
	<hr/>	<hr/>
TOTAL REVENUES	\$26,711	\$40,276
	=====	=====
Expenditures:		
Cultural:		
Wages	\$47,772	\$41,930
Insurance, taxes and retirement	4,306	3,845
Supplies and other	5,958	1,865
Liability and fire insurance	1,678	1,254
Utilities	3,185	4,637
Professional Fees	325	
Fuel	1,389	1,402
Clerical services	2,520	2,898
Dues and subscriptions	2,525	3,384
Repairs and maintenance	2,317	368
Miscellaneous - other	1,362	2,080
	<hr/>	<hr/>
	73,337	63,663
	<hr/>	<hr/>
Capital outlay:		
Furnishings, equipment and books	13,083	19,972
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$86,420	\$83,635
	=====	=====
Other financing sources:		
Operating transfers in (allocated property taxes)	\$54,933	\$47,029
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES	\$54,933	\$47,029
	=====	=====

FORSYTH TOWNSHIP
SENIOR CITIZENS GRANT FUND - DETAILS OF REVENUES AND
EXPENDITURES - COMPARATIVE

		Year ended March 31,	
		2004	2003
Revenues:			
Federal:			
Title IIIB - Homemaker		\$7,867	\$9,372
		<hr/>	<hr/>
TOTAL FEDERAL		7,867	9,372
		<hr/>	<hr/>
State:			
Staffing grant		4,693	4,764
		<hr/>	<hr/>
TOTAL STATE		4,693	4,764
		<hr/>	<hr/>
Other Revenues:			
Rural services		19,167	18,838
Allocation services		18,490	22,982
Interest income		0	146
Other		1,491	402
		<hr/>	<hr/>
TOTAL OTHER REVENUES		39,148	42,368
		<hr/>	<hr/>
TOTAL REVENUES		\$51,708	\$56,504
		=====	=====
Transfers to other funds:			
General Fund		\$56,728	\$56,357
		=====	=====

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS

March 31, 2004

	<u>Sidewalk</u>	Horseshoe Lake Assessors <u>Plat</u>	<u>Combined Total</u>
ASSETS			
Cash and cash equivalents	\$11,239	\$8,333	\$19,572
Special assessments receivable	2,829		2,829
Accrued interest receivable			0
	<hr/>	<hr/>	<hr/>
	14,068	8,333	22,401
	=====	=====	=====
LIABILITIES AND FUND BALANCE			
Deferred revenue	2,829		2,829
Due to general fund	11,239	8,007	19,246
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	14,068	8,007	22,075
Fund Balance:			
Reserved		326	326
Unreserved			
	<hr/>	<hr/>	<hr/>
	0	326	326
	<hr/>	<hr/>	<hr/>
	\$14,068	\$8,333	\$22,401
	=====	=====	=====

TOTAL REVENUES
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUNDS
 March 31, 2004

	Sidewalk		Horseshoe Lake Assessors Plat		Combined Total	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:						
Special assessments		\$536				\$536
Interest income		209		152		361
TOTAL REVENUES	62	745	15,297	152	15,359	897
Expenditures:						
Special assessment expenses		250				250
TOTAL EXPENDITURES	250	250	268	0	518	250
EXCESS OF REVENUES (EXPENDITURES)	(188)	495	15,029	152	14,841	647
Other financing sources (uses):						
Operating transfer in					0	0
Operating transfer out	(10,789)	(11,239)		(8,007)	(10,789)	(19,246)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER) FINANCING USES)	(10,977)	(10,744)	15,029	(7,855)	4,052	(18,599)
Fund balance at beginning of year	10,744	10,744	8,181	8,181	18,925	18,925
FUND BALANCE AT END OF YEAR	(\$233)	\$0	\$23,210	\$326	\$22,977	\$326
	=====	=====	=====	=====	=====	=====

TOTAL CURRENT ASSETS
COMBINING BALANCE SHEET - ENTERPRISE FUNDS

March 31, 2004

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$100,598	\$14,048	\$114,646
Accounts receivable	16,241	22,328	38,569
Accrued interest receivable	916	132	1,048
Prepaid expenses		330	330
Due from other funds		14,137	14,137
Current portion of sewage connection charges receivable	1,451		1,451
TOTAL CURRENT ASSETS	119,206	50,975	170,181
RESTRICTED ASSETS			
Cash and cash equivalents	138,935	8,380	147,315
Sewage connection charges receivable, less allowance of \$2,000	3,063		3,063
TOTAL RESTRICTED ASSETS	141,998	8,380	150,378
OTHER ASSETS			
Special assessments receivable - long-term		5,973	5,973
UTILITY PLANT IN SERVICE			
Land and easements	9,761	4,399	14,160
Structures and improvements	1,664	435,458	437,122
Sewage treatment plant	591,135		591,135
Collection and distribution system	1,243,611	920,233	2,163,844
Equipment	90,915	57,089	148,004
Capital lease assets		688,813	688,813
Construction in progress	7,656	0	7,656
	1,944,742	2,105,992	4,050,734
Less allowances for depreciation (deduction)	(1,088,163)	(1,003,986)	(2,092,149)
	856,579	1,102,006	1,958,585
	\$1,117,783	\$1,167,334	\$2,285,117
	=====	=====	=====

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
LIABILITIES, RESERVES, CONTRIBUTIONS AND RETAINED EARNINGS			
CURRENT LIABILITIES			
(payloadable from current assets)			
Accounts payable	\$74	\$779	\$853
Accrued employee compensation	3,377	26,202	29,579
Accrued interest	2,188	881	3,069
Due to other funds	0	0	0
Current maturities on long-term debt		55,000	55,000
TOTAL CURRENT LIABILITIES (payloadable from current assets)	5,639	82,862	88,501
CURRENT LIABILITIES (payloadable from restricted assets)			
Current maturities on bonds payable	25,000		25,000
LONG-TERM LIABILITIES (less current maturities)			
5% General Obligation Bonds	40,000		40,000
5% Revenue Bonds	110,000		110,000
Capital lease obligations		130,000	130,000
Due to other funds		66,917	66,917
TOTAL LIABILITIES	180,639	279,779	460,418
GRANTS, CONTRIBUTIONS AND RETAINED EARNINGS			
Capital grants from Federal and State governments	1,203,080	812,239	2,015,319
Less amortization	(680,438)	(437,477)	(1,117,915)
Contributions from Township	522,642	374,762	897,404
Contributions from customers	3,035	60,013	63,048
Special Assessments	158,507	34,483	192,990
		44,043	44,043
Retained Earnings:	684,184	513,301	1,197,485
Reserved for bond ordinances	138,935	8,380	147,315
Unreserved	114,025	365,874	479,899
	252,960	374,254	627,214
	937,144	887,555	1,824,699
	<u>\$1,117,783</u>	<u>\$1,167,334</u>	<u>\$2,285,117</u>
	=====	=====	=====

**BALANCE AT END OF YEAR
COMBINING STATEMENT OF EQUITY - ENTERPRISE FUNDS**

Year ended March 31, 2004

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
CAPITAL GRANTS FROM FEDERAL AND STATE GOVERNMENT:			
Grants (no change)	\$1,203,080	\$812,239	\$2,015,319
Amortization:			
Balance at beginning of year	656,005	420,229	1,076,234
Provision for depreciation applicable to fixed assets purchased with grants	<u>24,433</u>	<u>17,248</u>	<u>41,681</u>
	<u>680,438</u>	<u>437,477</u>	<u>1,117,915</u>
BALANCE AT END OF YEAR	<u>\$522,642</u>	<u>\$374,762</u>	<u>\$897,404</u>
CONTRIBUTIONS FROM TOWNSHIP (no change)	<u>\$3,035</u>	<u>\$60,013</u>	<u>\$63,048</u>
CONTRIBUTIONS FROM CUSTOMERS			
Balance at beginning of year	\$157,107	\$34,233	\$191,340
Contributions	1,400	250	1,650
BALANCE AT END OF YEAR	<u>\$158,507</u>	<u>\$34,483</u>	<u>\$192,990</u>
SPECIAL ASSESSMENTS (no change)		<u>\$44,043</u>	<u>\$44,043</u>
RETAINED EARNINGS - UNRESERVED:			
Balance at beginning of year	\$120,783	\$363,560	\$484,343
Net income (loss) for the year	(43,954)	(14,689)	(58,643)
Provision for depreciation applicable to fixed assets purchased with grants	<u>24,433</u>	<u>17,248</u>	<u>41,681</u>
NET INCREASE (DECREASE)	<u>(19,521)</u>	<u>2,559</u>	<u>(16,962)</u>
Adjustments:			
Decrease (increase) in general contingency reserve	12,760	(247)	12,513
BALANCE AT END OF YEAR	<u>\$114,022</u>	<u>\$365,872</u>	<u>\$479,894</u>
RETAINED EARNINGS - RESERVED FOR BOND ORDINANCES:			
Balance at beginning of year	\$151,695	\$8,133	\$159,828
Net increase (decrease) per above	<u>(12,760)</u>	<u>247</u>	<u>(\$12,513)</u>
BALANCE AT END OF YEAR	<u>\$138,935</u>	<u>\$8,380</u>	<u>\$147,315</u>

FORSYTH TOWNSHIP
General Customers
Year ended March 31, 2004

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
OPERATING REVENUES			
Flat rate sales:			
General Customers	\$117,598	\$254,022	\$371,620
Governmental units	13,978	20,389	34,367
Hydrant rental		8,428	8,428
Other	5,356	5,668	11,024
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	136,932	288,507	425,439
OPERATING EXPENSES			
Administrative and accounting:			
Salaries and wages	31,444	40,814	72,258
Employee benefits	18,913	18,353	37,266
Office supplies and other	8,786	13,324	22,110
Professional fees	8,356	3,793	12,149
	<hr/>	<hr/>	<hr/>
Maintenance:	67,499	76,284	143,783
Salaries and wages	33,428	48,692	82,120
Employee benefits	20,489	21,544	42,033
Operating supplies	0	1,051	1,051
Repairs and maintenance	1,441	27,090	28,531
Truck and equipment expense	2,767	5,868	8,635
Liability and fire insurance	6,085	7,715	13,800
	<hr/>	<hr/>	<hr/>
	64,210	111,960	176,170
Power and pumping - Utilities	8,088	49,326	57,414
Distribution -			
Provision for depreciation	38,252	44,717	82,969
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	178,049	282,287	460,336
	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(41,117)	6,220	(34,897)
OTHER REVENUE - Interest income	5,326	1,212	6,538
OTHER EXPENSES:			
Interest on bonds	(8,163)	(22,121)	(30,284)
	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	(\$43,954) =====	(\$14,689) =====	(\$58,643) =====

FORSYTH TOWNSHIP
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
Year ended March 31, 2004

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Combined Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	(\$41,117)	\$6,220	(\$34,897)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation & Amortization	38,252	44,717	82,969
Changes in assets and liabilities:			
(Increase) decrease in receivables	(30)	(4,972)	(5,002)
Increase (decrease) in accounts payable and accrued expenses	(14,556)	1,008	(13,548)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(17,451)	46,973	29,522
Operating income (loss)			
FINANCING ACTIVITIES:			
Payments on long term advance		3,788	3,788
Principal paid on bonds and capital lease obligations	(25,000)	(42,357)	(67,357)
Interest paid on bonds and capital lease obligations	(10,000)	(22,121)	(32,121)
Contributions from customers for connections/special assesments	1,400	250	1,650
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(33,600)	(60,440)	(94,040)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	5,569	1,061	6,630
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,569	1,061	6,630
NET INCREASE (DECREASE) IN CASH	(45,482)	(12,406)	(57,888)
Cash and equivalents at beginning of year	285,015	34,834	319,849
CASH AND EQUIVALENTS AT END OF YEAR	\$239,533	\$22,428	\$261,961
	=====	=====	=====

FORSYTH TOWNSHIP
COMPARATIVE BALANCE SHEET - SEWAGE DISPOSAL FUND

	March 31,	
	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$100,598	\$133,320
Accounts receivable	16,241	12,561
Accrued interest receivable	916	1,159
Due from other funds		
Due from other governmental units		4,133
Current portion of sewage connection charges receivable	1,451	1,451
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	119,206	152,624
RESTRICTED ASSETS		
Cash and cash equivalents	138,935	151,695
Sewage connection charges receivable, less allowance of \$2,000	3,063	2,579
	<hr/>	<hr/>
TOTAL RESTRICTED ASSETS	141,998	154,274
UTILITY PLANT IN SERVICE		
Land and easements	9,761	9,761
Structures and improvements	1,664	1,664
Sewage treatment plant	591,135	591,135
Collection and distribution system	1,243,611	1,243,611
Equipment	90,915	90,915
Construction in progress	7,656	7,656
	<hr/>	<hr/>
	1,944,742	1,944,742
Less allowances for depreciation (deduction)	(1,088,163)	(1,049,911)
	<hr/>	<hr/>
	856,579	894,831
	<hr/>	<hr/>
	\$1,117,783	\$1,201,729
	=====	=====

		March 31,	
		2004	2003
LIABILITIES, RESERVES, CONTRIBUTIONS AND RETAINED EARNINGS			
CURRENT LIABILITIES			
(payable from current assets)			
Accounts payable		\$74	\$91
Accrued employee compensation		3,377	17,916
Accrued interest		2,188	4,025
Due to other funds		0	0
	TOTAL CURRENT LIABILITIES		
	(payable from current assets)	5,639	22,032
CURRENT LIABILITIES			
(payable from restricted assets)			
Current maturities on bonds payable		25,000	25,000
LONG-TERM LIABILITIES			
(less current maturities)			
5% General Obligation Bonds		40,000	55,000
5% Revenue Bonds		110,000	120,000
	TOTAL LIABILITIES	180,639	222,032
GRANTS, CONTRIBUTIONS AND RETAINED EARNINGS			
Capital grants from Federal and State governments		1,203,080	1,203,080
Less amortization		(680,438)	(656,004)
		522,642	547,076
Contributions from Township		3,035	3,035
Contributions from customers		158,507	157,107
		684,184	707,218
Retained Earnings:			
Reserved for bond ordinances		138,935	151,695
Unreserved		114,025	120,784
		252,960	272,479
		937,144	979,697
		\$1,117,783	\$1,201,729
		=====	=====

FORSYTH TOWNSHIP
COMPARATIVE STATEMENT OF EQUITY - SEWAGE DISPOSAL FUND

	Year ended March 31,	
	2004	2003
CAPITAL GRANTS FROM FEDERAL AND STATE GOVERNMENT		
Grants (no change)	\$1,203,080	\$1,203,080
Amortization:		
Balance at beginning of year	656,005	631,573
Provision for depreciation for the year applicable to fixed assets purchased with grants	<u>24,433</u>	<u>24,432</u>
	<u>680,438</u>	<u>656,005</u>
BALANCE AT END OF YEAR	<u>\$522,642</u>	<u>\$547,075</u>
CONTRIBUTIONS FROM TOWNSHIP (no change)	<u>\$3,035</u>	<u>\$3,035</u>
CONTRIBUTIONS FROM CUSTOMERS		
Contributions	\$157,107 1,400	\$155,707 1,400
BALANCE AT END OF YEAR	<u>\$158,507</u>	<u>\$157,107</u>
RETAINED EARNINGS - UNRESERVED:		
Balance at beginning of year	\$120,783	\$142,820
Net (loss) for the year	(43,954)	(36,692)
Depreciation on fixed assets acquired by grants and shared revenues restricted for capital acquisition	<u>24,433</u>	<u>24,432</u>
NET INCREASE (DECREASE)	(19,521)	(12,260)
Adjustments:		
Decrease (increase) in general contingency reserve	<u>12,760</u>	<u>(9,777)</u>
BALANCE AT END OF YEAR	<u>\$114,022</u>	<u>\$120,783</u>
RETAINED EARNINGS - RESERVED FOR BOND ORDINANCES:		
Balance at beginning of year	\$151,695	\$141,918
Net increase (decrease) per above	<u>(12,760)</u>	<u>9,777</u>
BALANCE AT END OF YEAR	<u>\$138,935</u>	<u>\$151,695</u>

FORSYTH TOWNSHIP
COMPARATIVE STATEMENT OF INCOME - SEWAGE DISPOSAL FUND

	Year ended March 31,	
	2004	2003
OPERATING REVENUES		
Flat rate sales:		
General Customers	\$117,598	\$115,422
Governmental units	13,978	13,122
Federal Grants		
Other	5,356	32,933
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	136,932	161,477
	<hr/>	<hr/>
OPERATING EXPENSES		
Administrative and accounting:		
Salaries and wages	31,444	31,904
Employee benefits	18,913	15,086
Office supplies and other	8,786	5,106
Professional fees	8,356	9,280
	<hr/>	<hr/>
	67,499	61,376
Maintenance:		
Salaries and wages	33,428	35,921
Employee benefits	20,489	17,012
Operating supplies	0	35
Repairs and maintenance	1,441	29,005
Truck and equipment expense	2,767	1,358
Liability and fire insurance	6,085	6,047
	<hr/>	<hr/>
	64,210	89,378
Power and pumping - Utilities	8,088	5,844
Distribution :		
Provision for depreciation	38,252	38,249
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	178,049	194,847
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(41,117)	(33,370)
OTHER REVENUE - interest income	5,326	7,927
OTHER EXPENSES:		
Interest on bonds	(8,163)	(11,250)
Project development costs		
	<hr/>	<hr/>
NET INCOME (LOSS)	(\$43,954)	(\$36,693)
	=====	=====

FORSYTH TOWNSHIP
COMPARATIVE STATEMENT OF CASH FLOWS - SEWAGE DISPOSAL FUND

Year ended March 31,
2004 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income (loss)	(\$41,117)	(\$33,370)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	38,252	38,249
Changes in assets and liabilities:		
(Increase) decrease in receivables	(30)	4,400
Increase (decrease) in accounts payable and accrued expenses	(14,556)	(1,560)

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

(17,451) 7,719

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Principal paid on bonds and capital lease obligations	(25,000)	(25,000)
Acquisition of fixed assets		(225)
Interest paid on bonds and capital lease obligations	(10,000)	(11,250)
Contributions from customers for connections	1,400	1,400

**NET CASH USED FOR CAPITAL AND
RELATED FINANCING ACTIVITIES**

(33,600) (35,075)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	5,569	9,507
-------------------------	-------	-------

**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

5,569 9,507

NET INCREASE (DECREASE) IN CASH

(45,482) (17,849)

Cash and equivalents at beginning of year

285,015 302,864

CASH AND EQUIVALENTS AT END OF YEAR

\$239,533 \$285,015
=====

FORSYTH TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
Year ended March 31, 2004

	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
ASSETS				
Cash and cash equivalents	\$13,787	\$2,676,845	\$2,665,504	\$25,128
Accounts and taxes receivable	629		629	0
Accrued interest receivable	0			0
Investments	37,116	19,715		56,831
TOTAL ASSETS	\$51,532	\$2,696,560	\$2,666,133	\$81,959
	=====	=====	=====	=====
LIABILITIES				
Due to Marquette - Alger Intermediate School District	\$0	\$173,337	\$173,337	\$0
Due to County	0	643,389	643,389	0
TOTAL ASSETS	0	705,016	705,016	0
Due to State	0	450,105	450,105	0
Due to Township Funds	3,505	688,641	690,751	1,395
Due to others	10,911	23,733	10,911	23,733
Deferred compensation	37,116	19,715		56,831
TOTAL LIABILITIES	\$51,532	\$2,703,936	\$2,673,509	\$81,959
	=====	=====	=====	=====

FORSYTH TOWNSHIP
TRUST AND AGENCY FUNDS - STATEMENT OF RECEIPTS, DISBURSEMENTS
AND FUND BALANCE
Year ended March 31, 2004

	Trust Fund	TOTAL RECEIPTS				
	Cemetery Perpetual Care Fund	Gwinn Area Community Schools	State of Michigan	County of Marquette	Intermed. School District	Other
Receipts:						
Property tax collections		\$705,016	\$450,105	\$643,389	\$173,337	\$688,641
Other						
Interest	\$2,895					
Perpetual care fees	4,666					
TOTAL RECEIPTS	7,561	705,016	450,105	643,389	173,337	688,641
Disbursements:						
Remittances to other governmental units		705,016	450,105	643,389	173,337	
Transfer to General and Other Funds	2,895					690,751
TOTAL DISBURSEMENTS AND TRANSFERS	2,895	705,016	450,105	643,389	173,337	690,751
EXCESS OF RECEIPTS (DISBURSEMENTS)	4,666	\$0	\$0	\$0	\$0	(\$2,110)
		=====	=====	=====	=====	=====
Fund balance at beginning of year	145,899					
FUND BALANCE AT END OF YEAR	\$150,565					
	=====					

FORSYTH TOWNSHIP
tax levy

	Agency Funds						Totals
	Township General Fund	Clubhouse/ Recreation	Gwinn Area Community Schools	State of Michigan	County of Marquette	Intermed. School District	
Year ended March 31, 2004:							
2003 property tax levy	\$612,921	\$187,632	\$832,470	\$489,467	\$748,229	\$201,582	\$3,072,301
Less delinquent property taxes	\$85,886	\$26,290	127,454	39,362	104,840	28,245	412,077
CURRENT PROPERTY TAX COLLECTIONS	<u>\$527,035</u> =====	<u>\$161,342</u> =====	<u>\$705,016</u> =====	<u>\$450,105</u> =====	<u>\$643,389</u> =====	<u>\$173,337</u> =====	<u>\$2,660,224</u> =====
Year ended March 31, 2003:							
2002 property tax levy	\$646,829	\$198,015	\$935,801	\$551,312	\$771,894	\$208,373	\$3,312,224
Less delinquent property taxes	\$70,101	\$21,460	121,068	65,205	83,655	22,583	384,072
CURRENT PROPERTY TAX COLLECTIONS	<u>\$576,728</u> =====	<u>\$176,555</u> =====	<u>\$814,733</u> =====	<u>\$486,107</u> =====	<u>\$688,239</u> =====	<u>\$185,790</u> =====	<u>\$2,928,152</u> =====

FORSYTH TOWNSHIP

PROPERTY TAX DATA

March 31, 2004

<u>Year</u>	<u>Taxable Valuation (Homestead post 1993)</u>	<u>Taxable Valuation (Non-Homestead post 1993)</u>	<u>Tax Rate Per \$1,000 Taxable Valuation (Homestead post 1993)</u>	<u>Tax Rate Per \$1,000 Taxable Valuation (Non-Homestead post 1993)</u>	<u>Adjusted Total Tax Levy</u>
1993		59,923,507		42.2921	2,534,291
1994	30,402,780	30,764,517	22.9890	40.9890	1,961,166
1995	31,499,088	30,299,628	25.9163	43.9163	2,146,987
1996	33,578,607	29,870,302	25.1358	43.1358	2,132,505
1997	34,961,168	31,427,714	25.1358	43.1358	2,234,437
1998	36,436,652	34,442,779	25.1358	43.1358	2,401,581
1999	38,914,729	35,291,163	24.2726	42.2726	2,436,411
2000	41,037,747	35,744,097	24.2726	42.2726	2,507,089
2001	43,818,638	39,907,986	24.2486	42.2486	2,748,597
2002	47,621,109	44,253,793	24.2021	42.2021	3,020,134
2003	51,853,324	51,505,339	22.8803	40.8803	3,291,973

Total tax levies per above are comprised of the following:

<u>Township Funds</u>						<u>Intermed. School District</u>	<u>State Education Tax</u>
<u>Year</u>	<u>General</u>	<u>Clubhouse/ Recreation</u>	<u>Library</u>	<u>County</u>	<u>School</u>		
1993	391,199		28,374	471,748	1,515,233	127,737	
1994	399,527		28,983	482,767	554,301	128,404	367,184
1995	421,430	123,597	30,899	525,178	545,393	129,697	370,792
1996	432,683	126,898	31,724	489,711	537,665	133,129	380,693
1997	452,733	132,778	33,194	512,403	565,699	139,297	398,333
1998	483,034	141,665	35,416	546,698	619,123	148,620	424,994
1999	504,715	147,967	36,795	572,736	635,241	155,683	445,190
2000	460,407	152,633	38,162	591,351	643,394	160,482	460,691
2001	489,459	165,870	52,364	644,735	717,788	175,067	502,130
2002	646,829	198,015	0	771,894	935,801	208,373	551,312
2003	612,756	187,568	0	747,992	831,995	201,516	489,334

Millage rates for 2003 consisted of the following:

	<u>Homestead</u>	<u>Non-Homestead</u>
Township	8.1778	8.1778
County	7.6433	7.6433
School		18.0000
State Education Tax	5.0000	5.0000
Intermediate School District	2.0592	2.0592
	<hr/>	<hr/>
	22.8803	40.8803
	=====	=====

March 31, 2010
SCHEDULE OF BONDED INDEBTEDNESS
 March 31, 2004

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Outstanding at March 31, 2004	Annual Interest Payments	Total Annual Payments
1979 SEWAGE DISPOSAL SYSTEM REVENUE BONDS:							
	7/20/79	\$280,000 =====					
Fiscal Year Ending:							
March 31, 2005			5.00%	1/1/05	10,000	6,000	16,000
March 31, 2006			5.00%	1/1/06	10,000	5,500	15,500
March 31, 2007			5.00%	1/1/07	10,000	5,000	15,000
March 31, 2008			5.00%	1/1/08	15,000	4,500	19,500
March 31, 2009			5.00%	1/1/09	15,000	3,750	18,750
March 31, 2010			5.00%	1/1/10	15,000	3,000	18,000
March 31, 2011			5.00%	1/1/11	15,000	2,250	17,250
March 31, 2012			5.00%	1/1/12	15,000	1,500	16,500
March 31, 2013			5.00%	1/1/13	15,000	750	15,750
					<u>120,000</u> =====	<u>32,250</u> =====	<u>152,250</u> =====

1970 GENERAL OBLIGATION SEWAGE DISPOSAL SYSTEM BONDS:

	12/14/70	\$400,000 =====					
Fiscal Year Ending:							
March 31, 2005			5.00%	1/1/05	15,000	2,750	17,750
March 31, 2006			5.00%	1/1/06	15,000	2,000	17,000
March 31, 2007			5.00%	1/1/07	15,000	1,250	16,250
March 31, 2008			5.00%	1/1/08	10,000	500	10,500
					<u>55,000</u> =====	<u>6,500</u> =====	<u>61,500</u> =====

Both of the above issues are recorded in the Sewage Disposal System Fund (an enterprise fund).

APPENDICES

kroncich & ASSOCIATES P.C.

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

We have audited the financial statements of Forsyth Township, as of and for the year ended March 31, 2004 and have issued our report thereon dated December 16, 2004. In our report, our opinion was qualified because the general purpose financial statements do not include the general fixed asset account group or pension plan disclosures which should be included in order to conform with generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures and for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Township Board. However, this report is a matter of public record and its distribution is not limited.

Kronisch & Associates, P.C.

Certified Public Accountants

Marquette, Michigan
December 16, 2004

kroncich & ASSOCIATES P.C.

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

December 29, 2004

Honorable Supervisor and Township Board
Forsyth Township
Marquette County, Michigan

In planning and performing our audit of the financial statements of Forsyth Township, Marquette County, Michigan for the year ended March 31, 2004, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 16, 2004 on the general purpose financial statements of Forsyth Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to preform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank management and their staff for their support and assistance during our audit.

Kroncich & Associates, P.C.

Certified Public Accountants

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FORSYTH TOWNSHIP
COMMENTS AND RECOMMENDATIONS
March 31, 2004

The following comments and recommendations are being repeated this year because we found similar situations in the current year.

CASH

We noted that the township has deposits in excess of FDIC/NCUA limits in any one depository financial institution. This is also disclosed in Note B to the financial statements. We suggest the township evaluate the risk of deposits in excess of FDIC/NCUA limits.

STATE REVENUE SHARING

State revenue sharing resources continue to decrease as the State of Michigan's budget has been very tight in recent years. State shared revenue decreased to about \$509,000 in the current year and is expected to go down to \$488,000 next fiscal year. This is significant when it totaled \$866,000 as recently as fiscal year ended 2001. Increases in general property taxes have not kept pace. It takes approximately \$24,000,000 (\$24 million) more in property valuation to generate \$100,000 of tax at 8.1778 mills for the township, including clubhouse/ recreation millage. Also, the LP Sawyer Sawmill is no longer taxed as it is now in an Enterprise Zone, which was about \$70,000 of taxes for the Township. Sawyer Sawmill is also appealing their property tax bill for the only two years that they were taxed, and there may be a significant refund to Sawyer if they prevail. In addition, several utilities, such as pipeline distributors, are appealing prior years property tax assessments and the Michigan Appeals Court recently ruled in their (taxpayer) favor. This could result in net refunds of approximately \$42,300, plus interest.

The Township may have to size-down it's operations if the State of Michigan economy remains sluggish for a long-term and property tax increases are not significant. The mid-decade census recently completed resulted in 967 more population--this should increase state shared revenue, but most likely not to previous levels.

BUDGETS

We noted unfavorable variances of functions in the General fund, details of which are on page 11 of the Audited Financial Statements. Total expenditures exceeded budget in the Senior Citizens Grant fund and General fund as disclosed in Note Q to the financial statements (pg. 38). Amounts budgeted should be amended when circumstances occur that cause actual to be different from budgeted amounts for revenues and expenditures, before expenditures are incurred.

ACCOUNTING DEVELOPMENTS

In past years, we reported to you that the GASB # 34 (formerly #11) was issued and mandates a change to a different measurement focus of accounting, which will be more like private company's financial statements. The effective date for your Township is fiscal year ended March 31, 2005. That work should be done now to determine appropriate account balances at that date. We were informed that your appraisal firm has determined historical cost of fixed assets in accordance with GASB # 34, but did not include detail for all assets. We can assist you with making the entries necessary to record these assets and depreciation.

MISCELLANEOUS REVENUES

Certain groups, such as library and EMS, receive contributions from donors for various purposes, usually a piece of equipment to be used in their department. The money is either turned over to the Township when the item is purchased or they purchase it themselves. This is a worthy cause and these volunteers work hard for the Township, but state law mandates that all monies collected for such purposes belong to the Township and should be deposited into the Township accounts promptly. The Township would be happy to account for this earmarked money separately, so that it is expended for the purpose intended. There should not be any bank accounts that do not have the Township name and internal controls with it.

TERMINATION PAY

The Township has a termination pay plan, which was started for the purpose of long-term employee retention and to reduce sick time taken. You should consider modifying your employee policies and bargaining agreements to prohibit payment to employees who are discharged due to committing wrong doing against the Township, such as embezzlement, stealing or destruction to property, etc.

WATER AND SEWER FUNDS

Both the Water and Sewer funds operations experience negative cash flow for the year. You should consider increasing rates (revenue) and/or reducing expenses to achieve a positive cash flow. Also, we strongly suggest you include in your rates a factor for replacement of infrastructure so a cash reserve can be built up to provide resources in the future to fund such, as eventually portions of the utility systems will have to be repaired. These funds are intended to be self-sustaining and should be run like a business, with adequate reserves for major repairs and improvements. Both the water and sewer funds are aging, and significant repairs can be expected. Also, we noted that electricity expense of pumping has increased significantly in recent years and should be evaluated for cause and possible solutions.

AMBULANCE ACCOUNTS RECEIVABLE

All known uncollectible ambulance accounts receivable should be listed and written-off. Then the remaining collectible accounts are identified and you can use this as a starting point for your computer system. Management can be provided with an aging on a consistent basis to monitor collections.

The following comments pertain to the current year and are not repeats from the prior year.

CONTROLS AND PROCEDURES

Your procedures and systems should be more integrated to attain a more "systemic" flow of information. The goal should be to handle a document or transaction only one time and have that not only be recorded properly on your books, but also detailed listings, related accounts and reports to management and customers/taxpayers. The areas that need more integration are utility receipts, ambulance collections and property taxes. There is duplication in these areas that should be eliminated.

We strongly suggest you implement more management reporting, so you are better able to measure not only the effectiveness, but the financial results of activities. For example, in addition to reporting only the statistics for a department (say, ambulance runs), financial data should accompany that, such as billings related to that period, turn-around time, collections, contractual adjustments, bad debts and realization percentages. In addition to being a monitoring tool, you can then match this with the expenditures for that program and know if or if not you are recovering your costs. The same type of reporting should be done for ALL charges for services operations.

The main emphasis should be on installing systems and procedures to prevent the problem discussed in our prior letter of comments from happening again. A better segregation of duties for receiving and depositing cash can be accomplished. Lock boxes, and payment of utility bills at local financial institutions are also ways to make a better separation. We would like to pursue this further at your convenience.

SECURITY

Your recently prepared blue-print for renovation of the office for more security and efficiency appears sound. This should be implemented and construction began as soon as possible.

WATER FUND LIABILITY TO GENERAL FUND

The general fund made a short-term advance to the water fund in the prior year for \$66,917, which was supposed to be repaid according to a 5 year amortization schedule at 6.00% interest. No payments were made during the year due to cash flow problems of the water fund. Interest was accrued, but not paid. This should be evaluated and if it is not going to be repaid, it should be written off as a transfer out (expenditure) by the general fund, using unrestricted revenues as a source.